

Haemonetics (U.K.) Limited

Accounts 3 April 1999
together with directors' and auditors' reports

Registered number: 1231087



Directors' report

For the year ended 3 April 1999

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report for the year ended 3 April 1999.

Principal activities and business review

The principal activities of the company continue to be the manufacturing and marketing of blood processing equipment and disposables, with full after sales service.

The business has successfully adapted to developments in the marketplace consequent upon changes in national policies for the provision of blood components. Turnover increased by 16% during the year. The profit on ordinary activities before taxation was £1,464,565 (1998 - £845,742).

The directors consider that present performance will continue over the coming period.

Results and dividends

Results for the year are as follows:

	£
Retained profit, beginning of year	2,682,520
Profit for the financial year	1,046,302
Dividend paid	(2,000,000)
Retained profit, end of year	<u>1,728,822</u>

No dividend is proposed.

Directors and their interests

The directors of the company during the year are as shown below -

J.L. Peterson

D. Urquhart

The directors have no beneficial interests which are required to be disclosed under Section 234 of the Companies Act 1985.

Directors' report (continued)

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Year 2000

The company's parent, the Haemonetics Corporation, is aware of the potential for industry wide business disruption that could occur due to the problems related to the Year 2000 issue. The Haemonetics Corporation has developed a comprehensive plan to reduce the probability of operational difficulties due to the Year 2000 related failures. The plan includes an assessment of internal systems, equipment sold to customers, production equipment, communication with external suppliers and development of a contingency plan. The Haemonetics Corporation believes that it is on track towards a timely completion. The estimated costs have been determined at the group level, based on expected internal costs and capital expenditure, approximately 85% of the budget has been utilised to date.

Auditors

The directors will place a resolution before the annual general meeting to re-appoint Arthur Andersen as auditors for the ensuing year.

Beechwood House
Beechwoods Estate
Elmete Lane
Roundhay
Leeds
LS8 2LQ

By order of the Board



B. Wilson

22 October 1999

Company Secretary

Auditors' report

Leeds

To the Shareholders of Haemonetics (U.K.) Limited:

We have audited the accounts on pages 4 to 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the company's state of affairs at 3 April 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen

Chartered Accountants and Registered Auditors

1 City Square

Leeds

LS1 2AL

22 October 1999

Profit and loss account

For the year ended 3 April 1999

	Note	1999 £	1998 £
Turnover	2	23,331,402	20,013,785
Cost of sales		(19,937,991)	(17,396,313)
Gross profit		3,393,411	2,617,472
Operating expenses (net)	3	(1,603,890)	(1,475,575)
Operating profit		1,789,521	1,141,897
Interest receivable and similar income		12,450	39,438
Interest payable and similar charges	4	(337,406)	(335,593)
Profit on ordinary activities before taxation	5	1,464,565	845,742
Tax on profit on ordinary activities	7	(418,263)	(266,571)
Profit for the financial year	16	1,046,302	579,171
Dividend paid	8	(2,000,000)	-
Retained (loss) profit for the year		(953,698)	579,171
Retained profit brought forward		2,682,520	2,103,349
Retained profit carried forward		1,728,822	2,682,520

All the above results are from continuing operations.

The company has made no recognised gains or losses other than the profit for the financial years reported above.

The accompanying notes are an integral part of this profit and loss account.

Balance sheet

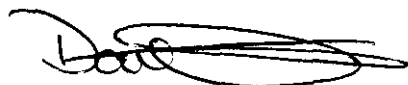
3 April 1999

	Note	1999 £	1998 £
Fixed assets			
Tangible assets	9	2,868,799	2,706,698
Investment	10	440	440
		<u>2,869,239</u>	<u>2,707,138</u>
Current assets			
Stocks	11	4,133,648	3,407,503
Debtors	12	3,954,962	5,206,764
Cash at bank and in hand		676,510	1,070,711
		<u>8,765,120</u>	<u>9,684,978</u>
Creditors: Amounts falling due within one year	13	(9,373,209)	(8,875,349)
Net current (liabilities) assets		<u>(608,089)</u>	<u>809,629</u>
Total assets less current liabilities		<u>2,261,150</u>	<u>3,516,767</u>
Creditors: Amounts falling due after more than one year	14	(482,328)	(784,247)
Net assets		<u><u>1,778,822</u></u>	<u><u>2,732,520</u></u>
Capital and reserves			
Called up share capital	15	50,000	50,000
Profit and loss account		<u>1,728,822</u>	<u>2,682,520</u>
Equity shareholders' funds	16	<u><u>1,778,822</u></u>	<u><u>2,732,520</u></u>

Signed on behalf of the Board

D Urquhart

Director



22 October 1999

The accompanying notes are an integral part of this balance sheet.

Notes to accounts

3 April 1999

1 Accounting policies

The principal accounting policies, all of which have been applied consistently throughout the year and with the preceding year, are set out below:

a. Basis of accounting

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

The company is exempt from the requirement to prepare a cash flow statement under Financial Reporting Standard No. 1 (Revised) as the ultimate parent company prepares consolidated accounts which are available to the public.

As at 3 April 1999 the company had net current liabilities of £608,089.

The accounts have been prepared on a going concern basis as the parent company has agreed to provide such financial resources as the company may require to discharge its liabilities and to support its operations.

b. Tangible fixed assets

Tangible fixed assets are stated at original cost less accumulated depreciation.

Depreciation is provided at rates calculated to write-off the cost, less estimated residual value, of fixed assets on a straight-line basis over their estimated useful lives as follows:

Plant and equipment	5-10 years
Fixtures and fittings	3-5 years
Buildings	30 years

c. Government grants

In accordance with SSAP 4 (revised), government grants received in respect of expenditure on fixed assets are treated as deferred income and amortised over the expected useful lives of the assets concerned.

d. Fixed asset investment

The investment in the associated undertaking, Immunoscope Limited, is stated at cost.

e. Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis and includes the cost of direct materials and labour plus attributable overheads based on normal levels of activity. Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Notes to accounts (continued)

1 Accounting policies (continued)

e. Stocks (continued)

Stock on contract to customers is written-off over the period of the contract.

Stock on loan to customers is written-off over a period of three years commencing twelve months after the start of the loan period.

f. Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation has been calculated on the liability method and is provided to the extent that the directors are of the opinion that such taxation may become payable in the foreseeable future.

g. Turnover

Turnover comprises the value of sales (excluding VAT and trade discounts) of goods and services in the normal course of business.

h. Income recognition

Income from contracts for the combined supply of equipment and disposables is recognised on a usage basis over the life of the contract.

i. Leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

j. Pension costs

The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

k. Foreign currency

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the rates of exchange prevailing at the year-end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Notes to accounts (continued)

2 Turnover

Turnover arose wholly in the UK from the continuing principal activities of the company. Contributions to turnover by geographical segment were as follows:

	1999 £	1998 £
UK	5,510,114	5,454,963
Rest of Europe	178,586	244,000
North America	17,642,702	14,314,822
	<u>23,331,402</u>	<u>20,013,785</u>

3 Operating expenses (net)

	1999 £	1998 £
Distribution costs	735,998	619,308
Administrative expenses	867,892	856,267
	<u>1,603,890</u>	<u>1,475,575</u>

4 Interest payable and similar charges

	1999 £	1998 £
On bank loans and overdrafts	40,905	47,939
On other loans	296,501	287,654
	<u>337,406</u>	<u>335,593</u>

5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging (crediting):

	1999 £	1998 £
Depreciation of tangible fixed assets	466,298	440,274
Amortisation of government grant	(99,564)	(99,590)
Operating lease rentals		
- motor vehicles	78,767	74,804
- land and buildings	86,671	80,000
Auditors' remuneration - audit fees	20,625	22,500
- non-audit fees	12,455	9,377
Staff costs (note 6)	<u>3,314,196</u>	<u>3,050,637</u>

Notes to accounts (continued)

6 Staff costs

Particulars of employee costs (including executive directors) are as shown below:

	1999 £	1998 £
Employee costs during the year amounted to:		
Wages and salaries	2,921,524	2,680,376
Social security costs	246,194	239,056
Other pension costs (note 16c)	146,478	131,205
	<u>3,314,196</u>	<u>3,050,637</u>

The average monthly number of persons employed by the company during the year was as follows:

	1999 Number	1998 Number
Manufacturing	207	208
Selling and distribution	11	11
Administration	8	6
	<u>226</u>	<u>225</u>

Directors' remuneration:

The employee costs shown above include the following remuneration in respect of directors of the company:

	1999 £	1998 £
Emoluments	58,751	4,078
Company contributions to money purchase schemes	4,500	327
	<u>63,251</u>	<u>4,405</u>

The number of directors who were members of pension schemes was as follows:

	1999 Number	1998 Number
Money purchase scheme	<u>1</u>	<u>1</u>

Notes to accounts (continued)

7 Tax on profit on ordinary activities

The tax charge comprises:

	1999 £	1998 £
Corporation tax	472,996	270,394
Adjustment of current taxation in respect of prior years	(54,733)	(3,823)
	<u>418,263</u>	<u>266,571</u>

There was no requirement for a deferred taxation provision at 3 April 1999 or at 29 March 1998.

8 Dividend paid

	1999 £	1998 £
<i>Equity shares</i>		
Interim paid of £40 (1998 - £nil) per ordinary share	<u>2,000,000</u>	<u>-</u>

9 Tangible fixed assets

The movement in the year was as follows:

	Land and buildings £	Plant and machinery £	Fixtures and Fittings £	Total £
Cost				
Beginning of year	1,807,244	1,617,715	995,456	4,420,415
Additions	90,186	291,511	247,219	628,916
Disposals	-	-	(159,965)	(159,965)
End of year	<u>1,897,430</u>	<u>1,909,226</u>	<u>1,082,710</u>	<u>4,889,366</u>
Depreciation				
Beginning of year	352,210	612,505	749,002	1,713,717
Charge	56,665	240,346	169,287	466,298
Disposals	-	-	(159,448)	(159,448)
End of year	<u>408,875</u>	<u>852,851</u>	<u>758,841</u>	<u>2,020,567</u>
Net book value, beginning of year	<u>1,455,034</u>	<u>1,005,210</u>	<u>246,454</u>	<u>2,706,698</u>
Net book value, end of year	<u>1,488,555</u>	<u>1,056,375</u>	<u>323,869</u>	<u>2,868,799</u>

Notes to accounts (continued)

10 Fixed asset investment

The investment comprises the cost of 44% of the issued share capital of Immunoscope Limited, a company registered in England and Wales. The principal activity of the company is the development of renal diagnostic techniques.

It is understood that the directors of Immunoscope Limited intend to propose a winding up of the company.

	1999 £	1998 £
Investment in associated undertaking	<u>440</u>	<u>440</u>

11 Stocks

Stocks are as follows:

	1999 £	1998 £
Raw materials	1,503,638	1,680,054
Work in progress	213,563	317,913
Finished goods	<u>2,416,447</u>	<u>1,409,536</u>
	<u>4,133,648</u>	<u>3,407,503</u>

12 Debtors

	1999 £	1998 £
Amounts falling due within one year:		
Trade debtors	514,003	751,250
Amounts owed by other group undertakings	2,565,374	4,078,441
VAT	319,968	135,205
UK corporation tax recoverable	310	-
ACT recoverable	194,842	-
Prepayments and accrued income	<u>360,465</u>	<u>241,868</u>
	<u>3,954,962</u>	<u>5,206,764</u>

Notes to accounts (continued)

13 Creditors: Amounts falling due within one year

	1999 £	1998 £
Bank loans and overdrafts	-	583,385
Trade creditors	2,024,166	1,471,694
Amounts owed to other group undertakings	5,483,833	5,612,371
Other creditors		
- UK corporation tax	167,838	294,686
- ACT payable	362,500	-
- social security and PAYE	188,969	183,087
Accruals and deferred income	1,145,903	730,126
	<u>9,373,209</u>	<u>8,875,349</u>

The ultimate parent company has guaranteed the bank loans and overdrafts in full.

14 Creditors: Amounts falling due after more than one year

	1999 £	1998 £
Loan	-	102,792
Accruals and deferred income	482,328	681,455
	<u>482,328</u>	<u>784,247</u>

Accruals and deferred income relate to government grants.

15 Called up share capital

	1999 £	1998 £
<i>Authorised, allotted, called up and fully paid:</i>		
50,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

16 Reconciliation of movements in equity shareholders' funds

	1999 £	1998 £
Opening equity shareholders' funds	2,732,520	2,153,349
Profit for the financial year	1,046,302	579,171
Dividends paid	(2,000,000)	-
Closing equity shareholders' funds	<u>1,778,822</u>	<u>2,732,520</u>

Notes to accounts (continued)

17 Guarantees and other financial commitments

a. Counter indemnities

Counter indemnities are held by Barclays Bank and the Royal Bank of Scotland in favour of H.M. Customs and Excise for the sum of £60,000 (1998 - £60,000) and £400,000 (1998 - £200,000) respectively with respect to Duty Deferment Guarantees.

b. Contingent liabilities

At the year end, outstanding liabilities under documentary credits were £24,000 (1997 - £24,000).

c. Pension arrangements

The company operates a defined contribution money purchase pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £146,478 for the year (1998 - £131,205).

d. Lease commitments

The company has entered into operating lease arrangements in respect of motor vehicles and fixtures and land and buildings. The minimum annual rentals payable under these leases are as follows:

	1999 £	1998 £
Motor vehicles and fixtures		
Operating leases which expire:		
- within one year	41,160	48,917
- between two and five years	40,944	49,704
	<u>82,104</u>	<u>98,621</u>
	1999 £	1998 £
Land and buildings		
Operating leases which expire:		
- within one year	11,250	2,916
- between two and five years	-	45,000
- over five years	45,000	45,000
	<u>56,250</u>	<u>92,916</u>

18 Related party transactions

The company is exempt from the requirements of Financial Reporting Standard No. 8 as the consolidated accounts of the ultimate parent company are publicly available.

Notes to accounts (continued)

19 Contingent liabilities

A claim has been lodged by a previous landlord against the company in respect of a dispute over the termination of a lease. The claim calls for the continuation of the lease together with payment of arrears of rent, interest and legal costs. It has been estimated that the maximum liability should the action be successful is of the order of £230,000. No provision has been made in the accounts.

20 Ultimate parent company

The company is a subsidiary undertaking of Haemonetics Corporation, incorporated in the USA.

The largest and smallest group in which the results of Haemonetics (U.K.) Limited are consolidated is that headed by Haemonetics Corporation. The consolidated accounts are available to the public and may be obtained from Haemonetics Corporation, 400 Wood Road, Massachusetts, U.S.A.